

**MAYOR'S BUDGET SHORTFALL ADVISORY GROUP  
MEETING MINUTES  
October 29, 2007**

**I. CALL TO ORDER**

Group members convened at 6:11 p.m. in the City Hall Wing, Rooms 119-120, 200 E. Santa Clara Street, San José, CA 95113.

**PRESENT:** Mayor Chuck Reed, Council Member Pete Constant, Council Member Madison Nguyen, Darrell Dearborn, Dr. Lydia Ortega, Karen Willett

**ABSENT:** Ted Biagini, John Kennett

**STAFF:** Roger Mialocq, Consultant; Armando Gomez, Budget and Finance Director – Mayor's Office; Antonio Guerra, Mayor's Office

**II. APPROVAL OF MINUTES**

*Action: Mayor's Budget Shortfall Advisory Group (BSAG) approved the minutes from the October 17, 2007 meeting.*

**III. DISCUSSION ITEMS**

**A. Initial list of options given by the City Manager's General Fund Structural Deficit Task Force (SDTF)**

Documents: SDTF Initial Strategies List (a) Revenue Strategies, (b) Service Delivery Model Changes, (c) Expenditure Controls and Shifts, (d) Service Reductions.

Mayor Chuck Reed led BSAG in reviewing the initial list of options from SDTF.

**B. Preliminary discussion of the three-year plan to end the structural deficit.**

BSAG discussed the following topics:

- The current dollar amount per telephone of the Emergency Communications Systems Support (ECSS) fee

- When the ECSS fee will sunset
- If the ECSS fee will need to be sent to the voters to be renewed
- A potential new fire facility fee
- Judicial rulings regarding the legality of fees similar to the ECSS fee and whether they need voter approval
- Potential ways to use Redevelopment Agency of San José (RDA) funds to supplement other sources
- The current City hiring freeze
- The current infrastructure backlog and staff's analysis of potential funding sources
- The unoccupied Fourth Street Garage retail space and the cost to renovate the "empty shell"
- Why big box retail locates in certain areas and not others
- Areas in San Jose where sales tax leaks across the border to neighboring jurisdictions
- Potential options to spur retail along the City perimeter
- Current Living Wage requirements
- Reasons why Starbucks declined to enter the City Hall retail space
- A list of RDA projects and when the additional tax generated will revert back to the City
- How property tax is divided
- Allowing downtown nightclubs to be entrepreneurial in how they solve their problems
- Roger's Mialocq's memo regarding an annual lump sum payment to the City's Retirement Boards
- Calpers current method of investing in their retirement funds
- Current rates of return of the City's retirement funds
- The investment horizon used by actuaries
- The effect of an annual lump sum payment on the City's bond rating
- The yearly cash flow into the City's General Fund
- Opportunities to improve the current budget process
- The difference in the five year capital budget and a one year operating budget
- Clearly factoring in the future operating costs of new capital projects into the budget process
- How much of the shortfall is due to operating funds needed for capital facilities built over the last six years
- The legality of bond issues including present value operating expenses when built
- Current split of construction and conveyance tax (C & C tax) money allocated for parks
- The need to go to the voters in order to switch the current C & C tax formula
- The possibility of establishing a reserve for C & C tax due to its cyclical nature
- Creating an environment that entices industry to locate here
- Zero-based budgeting

- Mandated services list created by Roger Mialocq for the County of Santa Clara
- The book *The Price of Government* and the Budgeting for Outcomes process described within
- Whether the Budgeting for Outcomes process could be instituted on a pilot basis on one department

#### **IV. PUBLIC COMMENT**

Denelle Fedor discussed:

- The value of the San Jose Police Department Mounted Unit

Jeff Segol discussed:

- Two examples regarding budgeting procedures

Bob Brownstein discussed:

- Current RDA strategy and whether the agency looks to truly maximize the positive impact of investments for all City residents
- Whether current projections of future City revenues take into account future tax increment currently going to the RDA but scheduled to return to the City
- The large effect state policy plays in the amount of revenue the City receives
- Whether SDTF's benchmarking will take into account the quality of the service
- *Governing* magazine's benchmarking procedures and grading criteria
- The amount of public participation in the outreach focus groups
- The perceived limited amount of time for each stakeholder to speak during the focus group process
- The limited public turnout for BSAG which doesn't reflect the true interest of San Jose's citizens
- The surveys taken by employees and residents and their perceived flaws
- The desire to include more residents on the front end of the policymaking process even if the process slows down a bit

#### **V. ADJOURNMENT**

The meeting adjourned at 8:07 p.m.